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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and perform Long-Term Gas System Planning.

Rulemaking 20-01-007

**ASSIGNED ADMINISTRATIVE LAW JUDGE'S RULING
SEEKING COMMENTS**

This ruling directs parties to file comments on questions related to the scope of issues outlined in Phase 1 (Track 1A and Track 1B) of the Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning proceeding, by March 19, 2021.

1. Background

On July 7, 2020, and July 21, 2020, Energy Division staff held workshops on the scope of issues outlined in Phase 1 of this proceeding. The purpose of these workshops was to address the specific questions outlined in the Scoping Memo and Ruling,¹ gain a common understanding of the issues, gather information and facts, seek input from stakeholders, and identify solutions.

On July 31, 2020, I issued a ruling seeking additional comments and information from parties following the workshops.

On October 2, 2020, after receiving the comments, I issued another ruling that included Energy Division staff's Workshop Report and Staff

¹ Rulemaking (R.) 20-01-007 Assigned Commissioner's Scoping Memo and Ruling at 3-5.

Recommendations on the scope of issues outlined in Phase 1. The ruling directed parties to file comments on the Workshop Report and Staff Recommendations and directed certain parties to provide supplemental information. Comments and replies were received from various parties. Pacific Gas and Electric Company (PG&E) and Southern California Gas Company (SoCalGas) also put forth plans for a renewable balancing proposal.

On January 21, 2021, Calpine Corporation, Indicated Shippers, and Southern California Generation Coalition (Joint Parties) filed a motion to modify the current procedural schedule and replace the dates for testimony, hearings, and briefings (in the event a motion for testimony, hearings, and briefings is granted) with a prehearing conference and prehearing conference statements.

On January 29, 2021, PG&E filed a response requesting that Energy Division provide an update to the October 2, 2020 Staff Recommendations before parties file motions for testimony, hearings, and briefings, so that parties can make fully informed decisions about whether they believe evidentiary hearings are necessary. SoCalGas and San Diego Gas & Electric Company (SDG&E) filed a joint response stating the same position as PG&E.

On February 3, 2021, I issued a ruling modifying the procedural schedule and indicating that an updated Energy Division Staff Recommendations report would be issued.

This ruling revises my February 3, 2021 ruling and notifies the parties that Energy Division Staff will not issue updated recommendations. Instead, we seek additional comments on the questions in Attachment 1. We also update the proceeding schedule to remove the reply comment period to this ruling. All other dates remain unchanged.

PHASE I- EVENTS Phase 1 (Track 1A and 1B)	DATE 1 (with Testimony, Briefs and Hearings)	DATE 2 (w/o Testimony, Briefs and Hearings)
ALJ Ruling Issuing Questions	February 26, 2021	February 26, 2021
Party Responses to Ruling Questions	March 19, 2021	March 19, 2021
Deadline to File a Motion to Serve Testimony, File Briefs, and/or Request Evidentiary Hearings	April 2, 2021	April 2, 2021
Testimony	April 23, 2021	
Rebuttal Testimony	May 7, 2021	
Hearings	May 17-21	
Opening Briefs	June 4, 2021	
Reply Briefs	June 18, 2021	
Proposed Decision	October- November 2021	July-August 2021
Final Decision	No earlier than 30 days after the Proposed Decision has been issued	No earlier than 30 days after the Proposed Decision has been issued

2. Questions

Parties are directed to file responses to the questions in Attachment 1 by March 19, 2021.

IT IS SO RULED.

Dated February 26, 2021, at San Francisco, California.

/s/ AVA TRAN
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Administrative Law Judge

ATTACHMENT 1

**Order Instituting Rulemaking to Establish Policies, Processes, and Rules to
Ensure Safe and Reliable Gas Systems in California and Perform Long-Term
Gas System Planning
R.20-01-007, Phase 1 (Track 1A and Track 1B)
Questions**

- A. **Track 1A, Scoping Memo Issue 3(c):** How should the Commission respond to a Utility's sustained failure to meet minimum design transmission standards?

Background:

In the Workshop Report and Staff Recommendations released on October 2, 2020, Energy Division staff (Staff) recommended using the nine-month criterion in Public Utilities Code Section 455.5 as a guideline for determining the period after which shareholders would begin to absorb a percentage of the cost of repairs for a gas utility's sustained failure to meet minimum transmission system design standards (Nine Month Proposal). Staff noted that the consequences of not meeting the design standard would apply to both backbone and storage. Parties provided wide-ranging perspectives and alternative suggestions in response to this proposal.

In its opening comments, Southern California Gas Coalition (SCGC) stated that to enforce the 1-in-10-year peak day design standard, the Commission should require SoCalGas to pay a Service Interruption Credit at shareholders' expense to any customer who suffers more than one curtailment in any 10-year period.² SCGC argued that during the period in which it was in effect (the mechanism was approved in 1991³ and eliminated

² SCGC Opening Comments at 2.

³ D.91-11-025:

ftp://ftp2.cpuc.ca.gov/LegacyCPUCDecisionsAndResolutions/Decisions/Decisions_D840200_to_D9212077/D9111025_19911106_R8808018.pdf.

in 2016⁴), the Service Interruption Credit was effective in incentivizing SoCalGas to maintain its backbone and storage systems to avoid the need for curtailments. SCGC also argued that PG&E has ample capacity to meet the 1-in-10-year peak day design standard, so an enforcement mechanism is not necessary for that utility at this time.⁵

The following are some perceived benefits and challenges to each proposal.

Proposal	Benefits	Challenges
Nine Month Proposal	All parties, core and noncore, would benefit from reductions to maintenance costs if shareholders were required to absorb a portion of such costs.	<p>The implementation of sanctions may be slow since the Commission would have to open an investigation into the utility’s failure to meet the design standard. Commission proceedings often take 18 to 24 months to complete.</p> <p>Holding an investigation is resource intensive for all parties: The Commission, utilities, and stakeholders.</p> <p>The outcome of the investigation is uncertain.</p>

⁴ D.16-07-008:
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M165/K051/165051361.pdf>.

⁵ SCGC Opening Comments at 11.

<p>Service Interruption Credit</p>	<p>The Service Interruption Credit is straightforward to implement and would not require stakeholder or Commission resources once the mechanism is established.</p> <p>The Service Interruption Credit is purely based on performance and does not require an assignment of fault; therefore, it is more likely to be applied consistently.</p>	<p>Since core customers are almost never curtailed, core customers would likely never receive this credit despite also being subject to the price volatility that comes with inadequate capacity.</p> <p>If the current design standards remain unchanged, the Service Interruption Credit would be applied differently in the different service territories. For example, PG&E could curtail its noncore customers once every two years while SoCalGas could only curtail its noncore customers once every 10 years.</p>
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Questions:

1. What are the merits of the Nine Month Proposal and the Service Interruption Credit proposal?
2. Are there additional benefits and challenges to the Nine Month and/or Service Interruption Credit proposals that have not been identified above?
3. Would either proposal result in sanctions that are either disproportionately large or disproportionately small?
4. Given the benefits and challenges of each proposal, which proposal is more appropriate? Why?
5. Do you have additional suggestions regarding how either proposal should be implemented? For example:

- a. If the Nine Month Proposal is adopted, what mechanism should be used for allocating repair costs to shareholders?
- b. If the Service Interruption Credit is adopted:
 - i. How much should the credit be?
 - Should it be a nominal dollar figure or based on an index?
 - If a nominal figure, should it be updated periodically to reflect inflation?
 - ii. Should it include a *force majeure* clause?
 - If so, how broadly or how narrowly should the clause be defined?
 - iii. How should the curtailment event be defined?
 - For example, the decision approving the Service Interruption Credit defined “one curtailment episode” as being not more than 72 consecutive hours (three days) of full curtailment or the volumetric equivalent of 72 hours of full curtailment spread throughout a five-day period.

B. Track 1B, Scoping Memo Issue 2: During 2017 and 2018, the higher than average gas prices at SoCal Citygate caused the price of wholesale electricity to significantly increase. Should the Commission establish contract or tariff terms and conditions or new rules to attempt to decrease the risk of electricity price volatility caused by potential gas supply issues? If so, what terms, conditions or new rules should be considered?

Background:

As several parties noted in their comments to SoCalGas’ “Renewable Balancing Tariff” proposal, the proposal lacks detail in its current form. Several parties also argued that SoCalGas’ proposal to update electric generation rate structures should be deferred to relevant ratemaking and cost allocation proceedings. However, the idea of requiring projections of hourly gas usage information on a day-ahead basis seems relatively straightforward. As discussed

in the Joint Institute for Strategic Energy Analysis report on *Electric Power Grid and Natural Gas Network Operations and Coordination*, granular flow scheduling information provided in the day-ahead market may help accommodate greater ramping requirements.⁶

Questions:

1. Should the Commission require electric generators to provide projections of hourly gas usage information on a day-ahead basis?
 - a. If so, how should that information be transferred from electric generators to gas utilities?
 - b. What changes would you propose to SoCalGas Rule No. 30 and PG&E Rule No. 21?

C. Track 1B, Scoping Memo Issue 3: Should pipeline operating procedures, such as those for curtailments and operational flow orders (OFO), be uniform across the state? Would there be any market and reliability impact if pipeline operating procedures were not uniform?

Questions:

1. Should the Commission align SoCalGas' summer OFO structure with its winter OFO structure when the current rules expire on October 31, 2021?
 - a. If not, should it extend the summer OFO structure currently in place when the current rules expire on October 31, 2021?

(END OF ATTACHMENT 1)

⁶ <https://cdn.filestackcontent.com/KRr47ikSZ6K55jjCLQVx>